

PUBLIC DISCLOSURE

DECEMBER 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SPENCER SAVINGS BANK

176 MAIN STREET
SPENCER, MA 01562

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
--------------	--

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of SPENCER SAVINGS BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding".

Spencer Savings Bank's overall CRA rating is based upon its performance under the five criteria described below. Additionally, at management's request a review of qualified investments and services was also performed. The following is a summarization of the findings, that were utilized in formulating the overall CRA rating.

The bank displayed a significant distribution of lending to individuals of low and moderate-income, as measured not only by its own performance but in relationship to aggregate group performance levels as well. Of particular note is the high volume of lending to low-income individuals (38 loans or 7.8%), especially considering there are no low-income census tracts within the bank's assessment area.

Although there are no low-income census tracts, Spencer Savings Bank had a substantial penetration of lending within the one moderate-income census tract (8.7%) within its assessment area, again not only individually, but in comparison to aggregate data.

Spencer Savings Bank's volume of lending, particularly within its assessment area, is considered substantial (74.8% by number and 71.4% by dollar). The bank was the number one lender (overall) within its assessment area with a 11.21% market share. The number two ranked lender within the assessment area had only a 4.16% market share.

A very strong net loan to deposit ratio, on average, of 86.2%. A comparison of the bank's performance to the bank's peer group as provided by the Federal Financial Institutions Examination Council's (FFIEC) Uniform Bank Performance Report (UBPR) indicated that as of December 31, 1996, Spencer Savings Bank's net loans and leases to deposits ratio (annualized) was 88.21%, well above peer group level of

78.75%, and as of September 30, 1997, this ratio (annualized) was 87.27%, still above peer group level of 80.12%.

Finally, Spencer Savings Bank's fair lending policies and practices are considered reasonable.

PERFORMANCE CONTEXT

Description of Institution

Spencer Savings Bank is a mutually owned financial institution incorporated under the laws of the Commonwealth of Massachusetts in 1871. The bank is headquartered at 176 Main Street in Spencer, Massachusetts, and operates three additional full service branch offices located in Rutland, Spencer, and Warren, Massachusetts. All locations offer Automated Teller Machines (ATM) machines linked to Yankee 24, Cirrus, and NYCE networks, and offer drive-up windows with extended banking hours.

As of the September 30, 1997 FDIC Call Report, Spencer Savings Bank had total assets of \$183,497,000. Of these total assets, \$139,200,000 or 75.9% are in the form of loans (gross), 81.1% of the bank's total earning assets. The bank's loan portfolio consists mainly of residential loans. Residential lending accounts for 60.4% of the loan portfolio, followed by commercial real estate loans (15.1%), home equity lines of credit (9.3%), consumer loans (7.4%), home improvement/second mortgage loans (4.6%), and commercial loans (3.2%).

Spencer Savings Bank has competition within the Town of Spencer primarily from: Fleet Bank; Southbridge Savings Bank; and Webster First Federal Credit Union. The market influence from these institutions appear to be significant, and as a result, serves to keep the bank's rates and services offered very competitive.

Spencer Savings Bank offers a wide variety of flexible lending products, such as its MGIC insured, first time homebuyer product. This product offers a 3%/2% downpayment option (3% borrowers funds and 2% gift or borrowed), and a 5/1 ARM.

Description of Spencer

The Town of Spencer is a rural community consisting of 34.05 square miles, located in Worcester County. The town was incorporated in 1753, and the form of government continues to be Board of Selectmen with an open town meeting.

Spencer began its existence as a mill town, making shoes and "drawing" wire. At

one time, the town played host to 11 factories and 26 buildings for wire drawing. Today, Spencer is largely a residential community and is home to several large dairy farms, however, it continues to maintain a strong industrial base. The largest employers include FlexCon, Mercury Wire, and the Town of Spencer.

State Route 9 runs through the town in an east-west direction, and State Route 31 runs north and south. The Massachusetts Turnpike borders Spencer to the east. Conrail provides freight rail service through Spencer. The town also has a small commercial airfield and it is less than a 20 minute commute to Worcester Airport.

According to 1995 HUD estimates, the residents of the Town of Spencer had a median family income of \$44,325; and a 42.1% of all households were estimated to be low and moderate-income households. The median value of a home in Spencer (according to the 1990 census) was \$127,100. The median rent was \$420 with a vacancy rate of 9.4%. The September 1997 unemployment rate for the Town of Spencer is 2.9% compared to the statewide average of 4.0%.

Description of Assessment Area

Spencer Savings Bank's current assessment area consists of the Worcester County towns of Brookfield, Charlton, East Brookfield, Holden, Leicester, North Brookfield, Oakham, Paxton, Rutland, Spencer, Warren, West Brookfield. All of the towns, with the exception of Warren, are located in the Worcester Metropolitan Statistical Area (MSA). The Town of Warren is located within a non-MSA. The 1997 HUD estimated median family income of the Worcester MSA is \$51,000, and of the non-MSA is \$44,900.

Spencer Savings Bank's assessment area contains seventeen census tracts. Of those tracts, there are no low-income tracts, one moderate-income (5.9%), ten middle-income (58.8%), and six upper-income (35.3%) census tracts.

According to 1990 census data, in Spencer Savings Bank's assessment area the average number of owner occupied units is 1,666, with the high in the Town of Holden (4,528) and the low in the Town of Oakham (476). The average median value of a home in the assessment area was \$133,558, with the high in the Town of Paxton (\$176,000) and the low in the Town of Warren (\$112,000).

Also according to 1990 census data, in the bank's assessment area the average number of occupied rental units was 519, with the high in the Town of Spencer (1,686) and the low in the Town of Oakham (46). The average median rent in the assessment area was \$444, with the high in the Town of Paxton (\$528) and the low in the Town of Warren (\$358). The assessment area average vacancy rate was

7.4%.

According to information contained in a statistical report compiled by the Economic Research and Analysis Department of the Massachusetts Department of Employment and Training as of September 1997, the bank's assessment area had an average labor force population of 3,447, or .11% of the total state labor force. The average unemployment rate within the assessment area was 2.9% and the average number of unemployed individuals was 97. This is compared to the state unemployment rate in September 1997, which was 4.0%, and the number of unemployed individuals (statewide), which was 128,000.

Description of Aggregate Data Utilized/Lending Activity

Aggregate institutions, for lending performance purposes only, is comprised of 179 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have either originated or purchased residential mortgage and/or home improvement loans within the bank's assessment area (source: CRA Wiz Software). Those institutions which were ranked within the top five for overall lending within Spencer Savings Bank's assessment area include: Spencer Savings Bank (11.21%); Fleet Mortgage Corporation (4.16%); Countrywide Funding (4.08%); North Brookfield Savings Bank (3.78%); and Fleet National Bank of Connecticut (3.70%).

PERFORMANCE CRITERIA

1. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of Spencer Savings Bank's residential mortgage and home improvement loan originations extended within various income levels was conducted. Loan originations were categorized by the applicant's reported income as compared to the 1996, and 1997, HUD estimated median family income. For the towns of Spencer, Leicester, Rutland, Brookfield, West Brookfield, North Brookfield, East Brookfield, Charlton, Holden, and Paxton, the 1996 and 1997 HUD estimated median family income of the Worcester Metropolitan Statistical Area (MSA) was utilized. The median family income for the MSA was \$47,900 in 1996 and \$51,000 in 1997. For the Town of Warren the HUD estimated median family income of the non-MSA was used, which in 1996 was \$42,000 and in 1997 was \$44,900.

Low income is defined by the U.S. Census Bureau as income below 50% of the median family income level, moderate income is defined as income between 50% and 79%, middle income is defined as income between 80% and 119% and upper income is defined as income equal or greater than 120% of the median family income level.

The following table provides a breakdown of the bank's residential mortgage and home improvement loan originations, (by number) within its assessment area by applicant income level.

NUMBER OF ORIGINATIONS BY BORROWER INCOME*

% OF MEDIAN MSA INCOME	1996		1997**		TOTAL	
	#	%	#	%	#	%
< 50%	25	8.6	13	6.8	38	7.8
50% - 79%	55	18.9	37	19.3	92	19.2
80% - 119%	92	31.6	71	37.0	163	33.7
120%>	116	39.9	68	35.4	184	38.1

NOT APPLICABLE	3	1.0	3	1.5	6	1.2
TOTAL	291	100.0	192	100.0	483	100.0

* Source: Loan Application Register (LAR)

**Through October 31,1997.

It should be noted that those originations designated as not applicable loans are due to:

The borrower's income was not taken into account when granting the loan; or

The borrower is an employee.

Of particular note is the number of loans (38 in total) granted to low-income individuals. This level of lending is significant in light of the fact that the bank's assessment area contains no low-income census tracts, yet 7.8% of the bank's total lending, for the period under review, was to low-income individuals.

Aggregate data for Spencer Savings Bank's assessment area for 1996 was also reviewed. This data revealed that Spencer Savings Bank was the number one lender to low and moderate-income individuals in 1996. In 1996, Spencer Savings Bank originated 80 loans to low and moderate-income individuals within the assessment area representing a market share of 15.07%. within these income categories. Peer data for originations to low-income borrowers only within the bank's assessment area revealed the bank was also the number one lender with 24.04% of the market, while in the moderate-income categories, the bank was the top originator with a share of 12.88%

The following table provides a breakdown of Spencer Savings Bank's residential mortgage and home improvement loan originations (by number) by applicant income level as compared to all other lenders (excluding Spencer Savings Bank) within the bank's assessment area.

COMPARISON OF ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1996 BANK PERFORMANCE*		1996 ALL OTHER LENDERS**	
	#	%	#	%
< 50%	25	8.6	79	3.4
50% - 79%	55	18.9	372	16.2
80% - 119%	92	31.6	690	29.9
120%>	116	39.9	872	37.8
NOT APPLICABLE	3	1.0	292	12.7

TOTAL	291	100.0	2,305	100.0
--------------	------------	--------------	--------------	--------------

*Source: Loan Application Register (LAR).

**Source 1996 Aggregate HMDA Data, PCI Services Inc.

Given the significant distribution of residential mortgage and home improvement lending to borrowers of low-income, and the substantial distribution of lending to borrowers of moderate-income, this criteria is considered to exceed standards for satisfactory performance.

2. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of residential mortgage and home improvement loan originations extended within the various census tracts contained in Spencer Savings Bank's assessment area was conducted during this examination. To reiterate, the bank's assessment area contains seventeen census tracts. The assessment area contains no low-income and one moderate-income (5.9%) census tracts. There are ten middle-income (58.8%) and six upper-income (35.3%) census tracts within the bank's assessment area.

Refer to the following table for more information

LOAN ORIGINATIONS ACCORDING TO CENSUS TRACT INCOME LEVEL *

CENSUS TRACT	1996		1997**		TOTAL	
	#	%	#	%	#	%
LOW	-	-	-	-	-	-
MODERATE	27	9.3	15	7.8	42	8.7
MIDDLE	245	84.2	165	85.9	410	84.9
UPPER	19	6.5	12	6.3	31	6.4
TOTAL	291	100.0	192	100.0	483	100.0

* Source: Loan Application Register (LAR)

**Through October 31, 1997

Although the bank's assessment area does not contain any low-income census tracts, it does contain one moderate-income census tract, and for the period under review 42 loans or 8.7% were granted within the moderate-income census tract. The bank's lending within the one moderate-income tract as well as the middle-

income census tracts appears to be significant when compared to peer data.

The following table provides comparative data (compiled by PCI Services Inc.) of Spencer Savings Bank's lending pattern within the various census tracts as compared to all other lenders (excluding Spencer Savings Bank) within the bank's assessment area.

COMPARISON OF ORIGINATIONS BY CENSUS TRACTS

CENSUS TRACTS	1996 BANK PERFORMANCE*		1996 ALL OTHER LENDERS**	
	#	%	#	%
LOW	-	-	-	-
MODERATE	27	9.3	96	4.2
MIDDLE	245	84.2	1,494	64.8
UPPER	19	6.5	715	31.0
TOTAL	291	100.0	2,305	100.0

*Source: Loan Application Register (LAR).

**Source 1996 Aggregate HMDA Data, PCI Services Inc.

Given the significant distribution of residential mortgage and home improvement lending to the one moderate-income census tract, and the substantial distribution of lending within the middle-income census tracts, this criteria considered to exceed standards for satisfactory performance.

3. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Spencer Savings Bank's Loan Application Register (LAR) for 1996, through October 31, 1997, was conducted during the examination. The LAR for the period under review revealed the bank originated 646 residential mortgage and home improvement loans. The number of loans originated within the bank's assessment area total 483 or 74.8% and loans originated outside the bank's assessment area total 163 or 25.2%. By dollar volume the bank originated \$32,956,000 or 71.4% inside its assessment area, \$13,216,000 or 28.6% outside, with a grand total of

\$46,172,000 originated for the same time frame.

Refer to the following tables for further details.

LOAN ORIGINATIONS BY NUMBER*

	1996		1997**		TOTALS	
LOCATION	#	%	#	%	#	%
Spencer	119	30.1	76	30.4	195	30.2
Leicester	33	8.3	19	7.6	52	8.1
Rutland***	35	8.8	15	6.0	50	7.7
Brookfield	27	6.8	15	6.0	42	6.5
West Brookfield	15	3.8	10	4.0	25	3.9
North Brookfield	15	3.8	10	4.0	25	3.9
East Brookfield	15	3.8	9	3.6	24	3.7
Charlton	13	3.3	8	3.2	21	3.3
Holden	11	2.8	7	2.8	18	2.8
Warren	-	-	18	7.2	18	2.8
Paxton	8	2.0	5	2.0	13	1.9
INSIDE ASSESSMENT AREA	291	73.5	192	76.8	483	74.8
OUTSIDE ASSESSMENT AREA	105	26.5	58	23.2	163	25.2
TOTALS	396	100.0	250	100.0	646	100.0

* Source: Loan Application Register (LAR)

** Through October 31, 1997

***Includes Oakham

LOAN ORIGINATIONS BY DOLLAR AMOUNT*

	1996		1997**		TOTALS	
LOCATION	\$ (000)	%	\$ (000)	%	\$ (000)	%
Spencer	7,889	27.4	4,376	25.4	12,265	26.6
Leicester	2,545	8.8	1,481	8.6	4,026	8.7
Rutland***	2,527	8.8	1,309	7.6	3,836	8.3
Brookfield	1,400	4.8	852	4.9	2,252	4.9
Charlton	1,027	3.6	777	4.5	1,804	3.9
North Brookfield	969	3.4	720	4.2	1,689	3.7
West Brookfield	880	3.0	792	4.6	1,672	3.6
Paxton	938	3.2	468	2.7	1,406	3.1
East Brookfield	826	2.9	579	3.4	1,405	3.0
Holden	860	2.8	428	2.5	1,288	2.8
Warren	-	-	1,313	7.5	1,313	2.8
INSIDE ASSESSMENT AREA	19,861	68.7	13,095	75.9	32,956	71.4
OUTSIDE ASSESSMENT AREA	9,065	31.3	4,151	24.1	13,216	28.6
TOTALS	28,926	100.0	17,246	100.0	46,172	100.0

* Source: Loan Application Register (LAR)

** Through October 31, 1997

***Includes Oakham

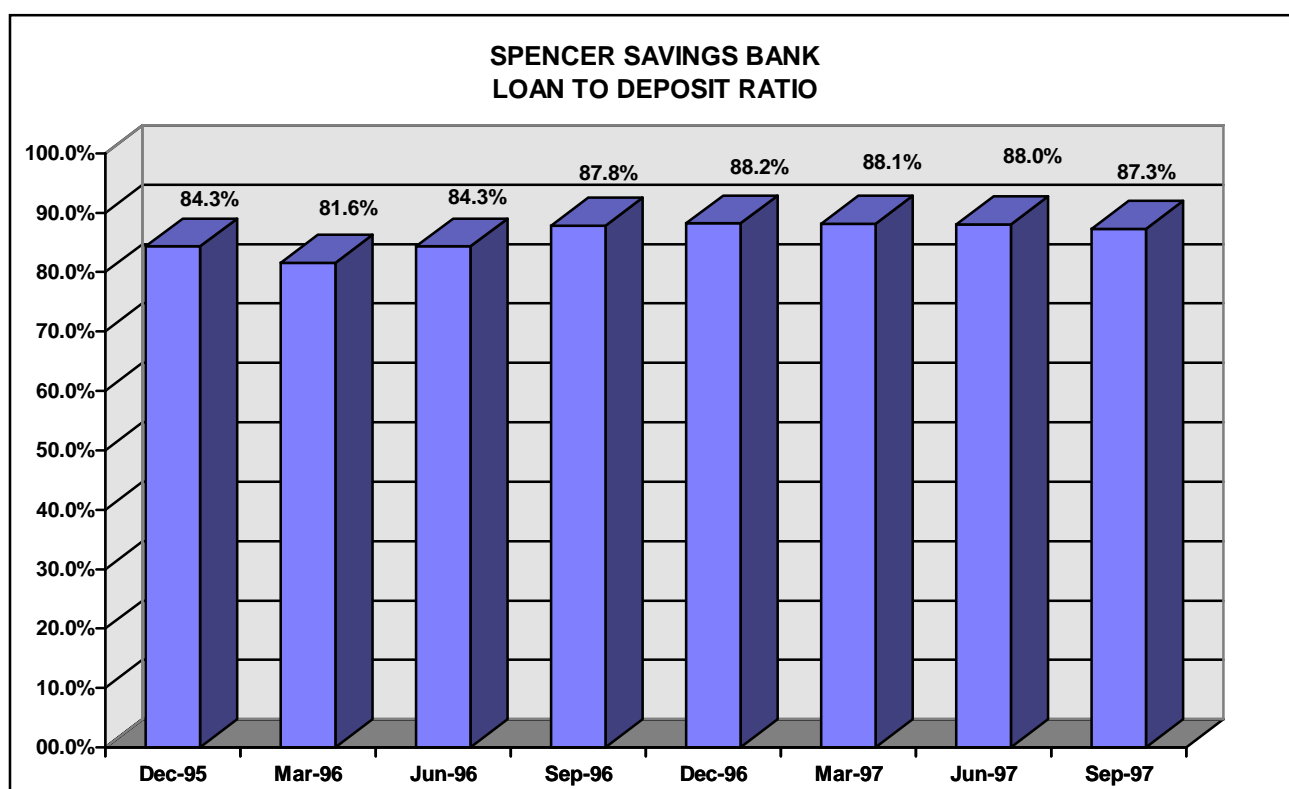
Again, utilizing 1996 aggregate data compiled by CRA Wiz Software, Spencer Savings Bank was the number one lender (overall) within its assessment area with a 11.21% market share. The number two ranked lender within the assessment area had only a 4.16% market share. Based upon the aforementioned data, Spencer Savings Bank's volume of lending, particularly within its assessment area, is considered substantial. Consequently, this pattern of lending is considered to

exceed standards for satisfactory performance.

4. LOAN TO DEPOSIT ANALYSIS

An analysis of Spencer Savings Bank's loan to deposit ratio was performed. The calculation incorporated eight quarters of the bank's net loans to total deposits figures as reflected in the bank's quarterly FDIC Call Reports. The quarters reviewed included the periods from December, 1995 through September, 1997. The bank's net loan to total deposit ratio, on average, was 86.2%. This ratio has fluctuated from a low of 81.6% in March 1996, to a high of 88.2% in December 1996.

The following graph illustrates Lee Bank's net loan to total deposit trends.



Not reflected in the aforementioned analysis is the overall growth rate in net loans and total deposits. Over the period reflected in the graph, Spencer Savings Bank's loan portfolio increased by 10.7%, outpacing deposit growth of 6.9%. From September 30, 1996 through September 30, 1997, the bank's loan portfolio grew by 2.1%, lagging behind deposit growth of 2.8%.

A comparison to the bank's peer group as provided by the Federal Financial Institutions Examination Council's (FFIEC) Uniform Bank Performance Report (UBPR) was also performed. Peer consists of all FDIC insured savings banks having assets of between \$100 million and \$300 million. As of December 31, 1996, Spencer Savings

Bank's net loans and leases to deposits ratio (annualized) was 88.21%, well above the peer group level of 78.75%, and as of September 30, 1997, this ratio (annualized) was 87.27%, still outpacing the peer group ratio of 80.12%

In summary, Spencer Savings Bank's average net loan to deposit ratio appears to be very strong, (both on its own and in comparison to its peers). Therefore, the bank is considered to exceed standards for satisfactory performance in this criteria.

5. REVIEW OF COMPLAINTS-FAIR LENDING

Spencer Savings Bank has not received complaints from any residents within its assessment area regarding its CRA performance for the period under review. The bank has established a written procedure for handling consumer complaints incorporated within the compliance policy. The compliance officer has the sole responsibility of handling any complaint from its initial stages to its final resolution. Furthermore, the Compliance Officer is responsible for reporting all consumer complaints to the Compliance Committee for review.

FAIR LENDING POLICIES AND PRACTICES

Spencer Savings Bank maintains a Fair Lending procedure and policy. This document identifies areas of responsibility; establishes training procedures; addresses internal control issues including review of HMDA data and adverse action notices; and establishes a policy on non-discrimination. In addition, bank management has established a CRA team that meets regularly to discuss all pertinent CRA issues. Detailed minutes are retained to document all issues discussed at said the meetings. Further, a CRA sub-committee was established to review all loan denials to insure all loan policies are adhered to and that no discrimination has occurred. Finally, bank management has instituted a compliance monitoring program designed to ensure compliance with all applicable federal and state regulatory requirements.

STAFF TRAINING

Training on Fair Lending, the Fair Housing Act, the Home Mortgage Disclosure Act, and the Community Reinvestment Act is provided. Training is an ongoing function, with the major purpose being to assure all employees, officers and board members know the requirements applicable to their responsibilities. Training is conducted during the orientation process for new employees and individuals attaining new responsibilities. Additional training is implemented in response to statutory requirements, changes or amendments in the regulations or if non-compliance with a requirement is discovered. In addition the CRA committee meetings address all issues on an on-going basis.

STAFF COMPOSITION AND COMPENSATION

As of December 8, 1997 Spencer Savings Bank had 75 employees. The bank has no minority employees, however 10 employees can also speak Spanish, French, and Portuguese which are the most common foreign languages in the bank's customer base.

There are 16 full time and 1 part time loan originators, all of whom are compensated by salary only.

OUTREACH

The bank has developed relationships with many area organizations which deal specifically with credit, housing, or economic development issues. These organizations include but are not limited to the following: Spencer Housing Authority; the Quahog Valley Business Corporation; the Warren Economic Development Commission; Rural Housing Improvement Inc.; local Chambers of Commerce; and local area Realtors.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Spencer Savings Bank regularly reviews its credit products to determine whether those products are helping to meet the credit needs of all segments of the bank's assessment area. Mortgage underwriting guidelines utilized are, as a general rule, those used by FNMA. However, when appropriate the use of such products as: the bank's first time homebuyers product; Community Investment Program (CIP) loans; MHFA, FhMA, or SBA guaranteed loans; Title I (FHA) Home Improvement loans; and Title V septic repair loans are utilized.

MARKETING

Spencer Savings Bank's marketing of its credit products is considered reasonable. Almost all advertising of mortgage products are placed in publications that are readily available, and in some cases free to the public.

CREDIT EDUCATION

In April 1996, and on March 26, 1997 Spencer Savings Bank held first time home buyer seminars. Both seminars featured an attorney, a home inspector, and a realtor

as guest speakers, and both were held at the bank's main office in Spencer. Approximately 10 individuals attended the 1996 seminar, however the attendance at the seminar held in 1997 was minimal.

COUNSELING

The bank refers customers who are in need of credit counseling to The Central Massachusetts Housing Alliance of Worcester. In addition, loan interviewers, officers, and collection department personnel will offer credit advice directly to the borrower when deemed appropriate.

SECOND REVIEW PRACTICES

Second reviews are performed on a weekly basis by the bank's CRA Loan Review Committee. In addition, the bank's Compliance Officer, in conjunction with the CRA Loan Review Committee, compares loan approvals and loan rejections to determine if there is any inadvertent discrimination on a prohibitive basis.

INTERNAL CONTROL PROCEDURES

Spencer Savings Bank's Compliance Officer performs an annual analysis on the disposition of applications received, originated, and denied from HMDA statements. Additionally, a quarterly geocode report is prepared and presented to the Board of Trustees.

MINORITY APPLICATION FLOW

The Division also reviewed the number of applications received from minority applicants within the assessment area. For the period January 1, 1996 through October, 31, 1997, the bank received a total of 6 applications within the assessment area from various minority groups. This represents approximately 1% of all applications within the assessment area received during that time period. As of the 1990 census, the bank's assessment area population by racial composition was 98.0% White; 0.0% African American; 1.0% Asian ; 0.0% Native American, 1.0% Hispanic and 0.0% Other. A review of 1996 peer data obtained from CRA Wiz Software for the bank's assessment area revealed that 1.9% of all applications received (exclusive of Spencer Savings Bank) were from various minority groups.

The description of applicants received from individual minority groups is depicted in the table below.

MINORITY APPLICATION FLOW *

	1996		1997**		TOTAL	
RACE	#	%	#	%	#	%
BLACK	-	-	-	-	-	-
ASIAN	-	-	-	-	-	-
NATIVE AMERICAN	-	-	1	0.4	1	0.2
HISPANIC	2	0.6	2	0.8	4	0.6
OTHER	-	-	1	0.5	1	0.2
TOTAL MINORITY	2	0.6	4	1.7	6	1.0
WHITE	349	98.3	237	97.1	586	97.8
NO INFORMATION	4	1.1	3	1.2	7	1.2
TOTAL	355	100.	244	100.	599	100.

* Source: Loan Application Register (LAR)

**Through October 31, 1997

COMMUNITY DEVELOPMENT LENDING

Spencer Savings Bank granted an unsecured loan to the Spencer Agricultural Association, a non-profit organization. The purpose of the loan was to make the Spencer Fair Grounds handicapped accessible. The current balance of the loan is \$47,000.

Spencer Savings Bank currently offers a loan program for replacement of failed septic systems. The loans are funded by the Massachusetts Housing Finance Agency and are serviced by Spencer Savings Bank. To date, the bank has funded \$35,000 in such loans and have several loans pending.

QUALIFIED INVESTMENTS

At the request of bank management, a review of qualified investments and services was also performed.

Quaboag Valley Business Assistance Corporation is a loan consortium involving five area bank's which provide commercial loans to businesses who cannot obtain financing through normal channels. Since January 1996, Spencer Savings Bank has made 7 disbursements totaling \$43,276 under this program. The bank's total amount

committed to this program is \$50,000.

QUALIFIED SERVICES

Spencer Savings Bank offers a "Bonus Checking" account that has a minimum balance requirement of \$100.00, a fee of \$7.00 if the balance goes below \$100.00, and the first order of checks is free. Interest is paid on this account with a minimum daily balance of \$500.00. In addition, the bank offers a "Bonus Gold Checking" account. For a \$5.00 membership fee the "Bonus Gold Checking" account offers no minimum balance requirement, interest with a \$10.00 minimum daily balance, free personalized checks, free travelers checks, and discounts on IRA Service Fees.

Spencer Savings Bank offers a "Life Line" savings account. The "Life Line" account has no monthly fees, a \$10.00 minimum balance, and offers five free Money Orders per month.

Spencer Savings Bank also offers Bank Checks and Money Orders, one free per withdrawal.

Until the introduction of a new debit card system for food stamps, Spencer Savings Bank assisted the needs of low-income individuals by selling food stamps at its Warren branch office.

In April 1996, and on March 26, 1997 Spencer Savings Bank held first time home buyer seminars. Both seminars featured an attorney, a home inspector, and a realtor as guest speakers, and both were held at the bank's main office in Spencer. Approximately 10 individuals attended the 1996 seminar, however the attendance at the seminar held in 1997 was minimal.

The bank sponsored an elderly Protection Program on February 12, 1997. Speakers included the Director of Elderly Protection Project in the Office of the Attorney General, and the Supervisor of Protective Services from the Tri Valley Elder Services. There were approximately 150 individuals in attendance.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

SPENCER SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **DECEMBER 8, 1997**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.